

# **CORRECTED FISCAL NOTE**

## **SB 1408 - HB 1829**

March 23, 2007

**SUMMARY OF BILL:** Enacts the "Tennessee Deposit Beverage Container Act of 2007." Requires deposit beverage distributors to pay the Department of Environment and Conservation (E&C) deposit beverage container fees, ranging from one-half cent (0.5¢) to three cents (3¢) per deposit beverage container, plus a five-cent (5¢) deposit for each deposit beverage container manufactured in or imported into Tennessee. Creates the "Deposit Beverage Container Fund (DBCF)", for which all fees and deposits are to be initially deposited. Creates the "Property Tax Reimbursement Fund (PTRF)", for receiving allocations from the DBCF. Requires establishment of certified redemption centers for the purpose of providing consumers who recycle deposit beverage containers refundable deposits. Requires E&C to administer program through its Division of Solid Waste Management. Requires Comptroller to audit program every two years following annual audits for the first two years of operation. Requires E&C to convene an advisory committee to assist in developing rules needed to implement this act.

### **ESTIMATED FISCAL IMPACT:**

On March 19, 2007, we issued a fiscal note for this bill indicating the following estimated fiscal impact:

#### **Increase State Revenues -**

Net Impact - \$5,835,000 – FY07-08 / Deposit Beverage Container Fund  
\$10,000,000 – FY07-08 / Highway Fund - Earmarked for Litter Programs  
\$15,000,000 – FY07-08 / Property Tax Reimbursement Fund

Net Impact - \$34,150,000 – FY08-09 / Deposit Beverage Container Fund  
\$10,000,000 – FY07-08 / Highway Fund - Earmarked for Litter Programs  
\$15,000,000 – FY07-08 / Property Tax Reimbursement Fund

#### **Decrease State Revenue –**

\$5,100,000 / Highway Fund – Earmarked for Litter Programs  
\$104,000 / General Fund  
\$233,000 / Education Fund  
\$16,000 / Earmarked to Local Govt.  
\$4,000 / Sinking Fund

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Decrease Local Govt. Revenues - \$138,000

Based on new information, the fiscal impact for the bill is estimated as follows:

**(CORRECTED)**

**Increase State Revenues -**

**Net Impact - \$5,835,000 – FY07-08 / Deposit Beverage Container Fund**  
**\$10,000,000 – FY07-08 / Highway Fund - Earmarked for Litter Programs**  
**\$5,000,000 – FY07-08 / Property Tax Reimbursement Fund**

**Net Impact - \$34,150,000 – FY08-09 / Deposit Beverage Container Fund**  
**\$10,000,000 – FY08-09 / Highway Fund - Earmarked for Litter Programs**  
**\$5,000,000 – FY08-09 / Property Tax Reimbursement Fund**

**Decrease State Revenue –**

**\$5,100,000 / Highway Fund – Earmarked for Litter Programs**  
**\$104,000 / General Fund**  
**\$233,000 / Education Fund**  
**\$16,000 / Earmarked to Local Govt.**  
**\$4,000 / Sinking Fund**

**Decrease Local Govt. Revenues - \$138,000**

Assumptions:

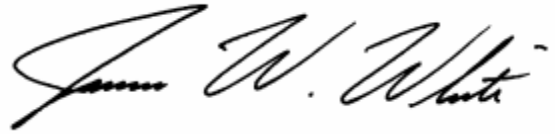
- Based from Container Recycling Institute (CRI) data, the total number of deposit beverage containers consumed in Tennessee is estimated to be approximately 4.2 billion per year.
- Deposit beverage containers redeemed at a 72% rate in FY07-08 and 75% in FY08-09 and thereafter.
- 1.0% annual population growth in Tennessee.
- Based on fee and deposit rates proposed for FY07-08, first-year gross collections to the DBCF are estimated to be \$101.5 million.
- Based on fee and deposit rates proposed for FY08-09, second- and subsequent-year collections to the DBCF are estimated to be \$339.4 million per year.
- First-year deposits redeemed (paid from DBCF) are estimated to be \$50.4 million.
- Second- and subsequent-year deposits redeemed (paid from DBCF) are estimated to be \$159.1 million.
- First-year handling fees (paid from DBCF) to certified redemption centers are estimated to be \$22.7 million.
- Second- and subsequent-year handling fees (paid from DBCF) to certified redemption centers are estimated to be \$95.4 million.

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- Administrative costs, including costs for E&C to administer the program and for the Comptroller to perform the required audits, are estimated to be \$1.6 million per year. These recurring expenditures will be paid from the DBCF.
- One-time state expenditures for form development, computer programming, and software modifications are estimated to be \$130,000. These one-time expenditures will be paid from the DBCF.
- According to the Department of Revenue (DOR), beer barrelage tax collections and bottler's gross receipts tax collections will decrease as a result of this bill. The decrease is estimated to be \$5.1 million per year. Such funds would have been earmarked to the Highway Fund for the administration of litter grant programs.
- According to DOR, state and local sales tax collections will decrease as a result of reduced beer barrelage tax collections and reduced bottler's gross receipts tax collections. The decrease to state sales tax revenues is estimated to be \$357,000 per year and the decrease to local option sales tax revenues is estimated to be \$122,000 per year.
- The \$357,000 in state sales tax revenue would have been apportioned as follows: \$104,000 to the General Fund, \$233,000 to the Education Fund, \$16,000 to local governments, and \$4,000 to the Sinking Fund.
- The total decrease to local government revenues is estimated to be \$138,000 per year (\$122,000 local option sales tax + \$16,000 state-shared sales tax revenue = \$138,000).
- \$10,000,000 shall be apportioned from the DBCF to the Highway Fund for the purpose of administering county litter grant programs each year.
- \$5,000,000 shall be apportioned from the DBCF to the PTRF each year.
- Funds remaining in the DBCF after all applicable expenses and proposed apportionments are estimated to be \$11,670,000 in FY07-08 and \$68,300,000 in FY08-09 and thereafter.
- 50% of left-over funds are earmarked to distributors dispersed in an equitable manner. These amounts are estimated to be \$5,835,000 in FY07-08 and \$34,150,000 in FY08-09 and thereafter.
- The remaining 50% of left-over funds shall remain with the DBCF and be earmarked for purposes and programs authorized by this act. These amounts are estimated to be \$5,835,000 in FY07-08 and \$34,150,000 in FY08-09 and thereafter.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

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